

FACING THE 10 SMART

IT'S UNDENIABLE, AND THE REALITY OF THAT HITS ANEW EVERY MORNING. ALL TELL US LOUD AND CLEAR THAT OUR ECONOMY IS IN TURMOIL.

IT'S TEMPTING TO PRETEND ALL IS WELL. AS BOARD MEMBERS, WE'RE NOT IMMUNE TO THESE FEELINGS.

BUT IN THESE TROUBLED TIMES, OUR ORGANIZATIONS ARE LOOKING TO US FOR LEADERSHIP. HOW WE REACT

TO THE ECONOMIC CRISIS CAN GO A LONG WAY TOWARD CALMING FEARS

AND ENSURING THAT OUR NON-PROFITS REMAIN SOLVENT IN THIS DIFFICULT ENVIRONMENT AND ARE

EVEN BETTER PREPARED TO ENACT OUR ORGANIZATIONAL MISSIONS IN THE FUTURE. HERE ARE 10 THINGS

YOUR BOARD CAN DO NOW TO ADDRESS THE FINANCIAL CRISIS. IT IS, BY NO MEANS, AN

EXHAUSTIVE LIST.

TEXT

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FINANCIAL CRISIS: THINGS YOUR BOARD CAN DO NOW

1. DON'T PANIC

Don't let fear freeze you into inaction. Read, research, and remain calm. Be deliberate in any action your board undertakes. On the other hand, do not underestimate the amount of anxiety this crisis adds to the already heavy burdens your chief executive and staff are carrying. Before pressuring them to forge ahead, ensure that they know that the board supports them.

2. THINK STRATEGICALLY

Examine your organizational goals and strategies in light of the current conditions.

themselves the recipient of more gifts, not fewer.

Thinking strategically also implies being conscious of how the board frames the questions it will discuss, which in turn directs where discussions will go. For example, if the board asks, *'Where do we cut expenses to make sure we can balance our budget?'* the discussion will center around expense reduction. If the question is framed as *'How do we maintain a balanced budget?'* the discussion will include expenses and revenue.

Check to see if you have a diversified funding stream, and, if not, develop a plan to diversify. Get an immediate and firm grip on all your revenue streams and be clear as to what is - or is not - genuinely bringing in revenue. This does not mean cutting all non-revenue or negative revenue programs; it does mean seeing the whole picture and where your real costs are with open eyes.

4. CREATE A CONTINGENCY PLAN

Ask yourself: how might we have to govern our organization differently if the economy enters a long-term recession? Ask the chief executive and chief financial officer to work with

How we react to the economic crisis can go a long way toward calming fears and ensuring that our nonprofits remain solvent in this difficult environment and are even better prepared to enact our organizational missions in the future

Consider scheduling an additional board meeting, in person or by teleconference, to discuss your organization's short-term strategy. Then ensure that a review of the long-term strategy is on the agenda. Organizations that have continued to think strategically throughout the crisis will come out of it in the best position.

Now is the time to think how your organization can become more competitive. With fewer contributed dollars available, funders may reevaluate their giving plans. Organizations that position themselves as useful in times of crisis may actually find

3. GET A REALISTIC PICTURE OF YOUR ORGANIZATION'S FINANCIAL SITUATION

Set aside some time at your next board meeting to talk to the chief executive and chief financial officer and determine where the financial downturn is affecting your financial picture. Assess cash availability if your revenue is tied to market fluctuations; make sure that your cash, investments, or reserves are parked some place safe and are getting the best possible return.



the board treasurer or finance committee to develop an alternate financial model for the organization based on the assumptions derived from that exercise, and create a contingency budget to account for potential shortfalls. Think outside your current structure: for example, consider a collaboration or even a merger with another nonprofit with a similar mission if your organization is in serious financial difficulty.

5. WORK MORE CLOSELY WITH YOUR CHIEF EXECUTIVE

Any contingency plan must, of course, be developed in close collaboration with management. Now is the time to increase communication with, and support of, the chief executive and staff and help them keep their spirits high. At the same time, adhere to a culture of transparency. If the financial situation is grave, work with management

Organizations that maintain their spending at near - normal levels during recessions are best positioned to excel during recovery

to keep staff apprised of developments. Long faces emerging from behind closed doors will only foster anxiety.

6. STEP UP YOUR FUNDRAISING

Call on key funders to discuss your situation and reaffirm their commitment to your organization's mission. Go beyond your usual suspects by considering nontraditional funding sources, and don't forget former donors. Be strategic in how

you look at both current and potential donors. Examine your list of constituents and stakeholders for organizations less affected and push harder on them than in the past.

Conversely, step up your analysis of donors who have already pledged gifts for signs of financial distress to help anticipate possible contributed revenue shortfalls. Continue to recognize your current donors, too; it is still more cost effective to develop current donors than find new ones.

Finally, but perhaps most obviously, use the crisis to your advantage: don't be afraid to inform funders that your constituents need your organization's services now more than ever.

7. TIGHTEN YOUR BELT

Now is a good time to examine the feasibility of reducing expenses. Consider a reduction in board-related expenses or canceling a planned face-to-face meeting in exchange for a well-prepared teleconference meeting. For both your organization's financial and reputational health, think about canceling any 'resort' location board meetings for the next fiscal year. Build cash reserves as you reevaluate the necessity of budgeted capital outlays. Is 2009 the year to invest in fixed assets or infrastructure? It may be. As suggested above, think strategically and remember that organizations that maintain their spending at near-normal levels during recessions are best positioned to excel during recovery.

8. PUMP UP YOUR ENGAGEMENT

It is in difficult economic times that the worth of a nonprofit board is truly tested. Board members must step up and ensure that they are full, constructive partners with senior staff. The staff members of a typical nonprofit may not weather a crisis nearly as well alone as they can in partnership with a truly engaged and supportive board.

The creative and strategic gifts that boards give to their organizations are needed now more than ever. All board members should be active ambassadors and friend-raisers and should help others connect the dots to see that your services are in great demand. This is not the time to retreat from public view and wait out the economic storm. Get out of the boardroom and nurture face-to-face relationships with key and potential stakeholders.

9. EVALUATE YOUR COMPENSATION STRUCTURE

What could be worse now than newspaper headlines announcing the names of overpaid nonprofit executives? Benchmark your chief executive's compensation against survey data for comparable organizations.

10. BE A MISSION GUARDIAN

Finally, ensure that you, your fellow board members, and the chief executive recommit to forwarding your organization's unique mission and ensuring that all important decisions flow from the mission statement. Enacting all of the prior nine points will count for little if you lose sight of the why.

No one has a crystal ball. The economy may only dip, then recover quickly, or we may be headed into a prolonged recession. While we all hope for the former, boards that prepare for the worst - strategically, financially, and operationally - will be in the best position to fulfill their mission now and when recovery does occur.

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